

AR45

Reid Lithographing Company Limited



Annual Report
1971

Directors and Officers

Directors

D. G. WILLMOT, Toronto, Ontario
S. A. ALLAN, Hamilton, Ontario
J. R. SOUTH, Toronto, Ontario
J. P. HUDSON, Toronto, Ontario
E. H. ORSER, Montreal, Quebec
A. E. CHAPMAN, Toronto, Ontario
G. H. GREENHOUGH, Burlington, Ontario

Officers

S. A. ALLAN, M.B.E.,
Chairman of the Board
G. H. GREENHOUGH, R.I.A., F.C.I.S.,
President and Secretary-Treasurer

Head Office

P.O. Box 133, Station "B"
Cavell Avenue,
Hamilton, Ontario

Auditors

Clarkson, Gordon & Co., Hamilton, Ontario

Registrar, Transfer and Dividend Disbursing Agent

Canada Permanent Trust Company

Report to the Shareholders

Nineteen Seventy-One was a satisfactory though difficult year for your Company and its wholly-owned subsidiary, Reid Press Limited, largely as a result of a reduced sales volume over the previous year.

Sales for the year of \$7,049,467 fell back 8.0% from sales of 1970, and after tax profits declined 7.1%. Reduced sales were due in large part to the loss of an important and long-standing customer who at the first of 1971 acquired its own lithographing facilities.

Net earnings, after taxes, amounted to \$336,427 or \$1.96 per common share compared with \$362,163 or \$2.12 a share in the previous year after providing for preference share dividends. Quarterly Reports have informed our shareholders of this trend during the year.

Dividends paid during 1971 amounted to \$130,183 of which \$3.12½ per annum was applied to each preference share and 13¢ per common share for the first quarter and 15¢ per common share for the remaining three quarters.

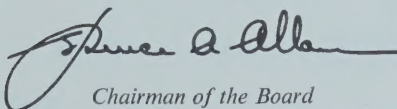
Operating economies, a lower rate of income tax and some adjustment in selling prices all tended to offset the increases in cost of raw materials and labour rates.

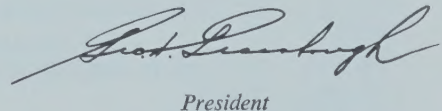
Bond indebtedness stands at \$362,000 as at December 31, 1971 after the annual payment of \$32,000 on principal.

Equipment was added during the year amounting to \$130,164. To maintain our quality production and in anticipation of future volume your Directors have approved the purchase of a new four-colour offset press which is presently being installed.

Although the first quarter of 1972 has shown no significant improvement, your Management anticipates a marked up-swing as the year progresses.

All personnel, both Plant and Office have performed their duties diligently and faithfully and are sincerely thanked by the Directors and Management.


Chairman of the Board


President

Reid Lithographing Company Limited

(Incorporated under the laws of Ontario)

and its wholly-owned subsidiary

Reid Press Limited

CONSOLIDATED

DECEMBER 31, 1971

(with comparative figures for 1970)

ASSETS

	<u>1971</u>	<u>1970</u>
CURRENT:		
Accounts receivable		
(less allowance for doubtful accounts)	\$ 533,043	\$ 627,400
Income taxes recoverable	27,470	—
Inventories (note 1)	1,337,559	1,526,074
Prepaid expenses	17,602	18,669
Cash surrender value of life insurance	56,864	54,222
Total current assets	<u>1,972,538</u>	<u>2,226,365</u>
FIXED — at cost (note 2):		
Land, buildings and equipment	3,767,710	3,650,647
Less accumulated depreciation	<u>2,210,037</u>	<u>2,039,871</u>
	1,557,673	1,610,776
OTHER:		
Bond discount and issue expenses		
less amounts written off	10,313	12,341
Other assets	3,000	6,159
On behalf of the Board:		
S. A. ALLAN, <i>Director</i>		
G. H. GREENHOUGH, <i>Director</i>		
	<u>\$3,543,524</u>	<u>\$3,855,641</u>

AUDITORS' REPORT

TO THE SHAREHOLDERS OF REID LITHOGRAPHING COMPANY LIMITED:

We have examined the consolidated balance sheet of Reid Lithographing Company Limited and its subsidiary company, Reid Press Limited, as at December 31, 1971 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

1971
December 31, 1970)

	1971	1970
CURRENT:		
Bank indebtedness		
(secured by pledge of accounts receivable)	\$ 118,920	\$ 453,330
Accounts payable and accrued charges	187,845	233,922
Income and other taxes payable	—	73,874
Sinking fund instalment due within one year	32,000	32,000
Total current liabilities	338,765	793,126
FUNDED DEBT (note 3):		
6¼% first mortgage sinking fund bonds series A of Reid Press Limited due February 15, 1982.	362,000	394,000
Less sinking fund instalment due February 15, 1972	32,000	32,000
	330,000	362,000
DEFERRED INCOME TAXES	277,000	294,000
SHAREHOLDERS' EQUITY:		
Capital stock (note 4) —		
Authorized less redeemed:		
47,720 preference shares with a par value of \$50 each issuable in series		
200,000 common shares without par value		
Issued:		
13,720 6¼% cumulative redeemable preference shares, series A	686,000	701,000
149,621 common shares	479,696	479,696
	1,165,696	1,180,696
Retained earnings (statement 2)	1,432,063	1,225,819
	2,597,759	2,406,515
	\$3,543,524	\$3,855,641

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Canada
February 9, 1972

CLARKSON, GORDON & CO.
Chartered Accountants

Consolidated Statement of Income and Retained Earnings

for year ended December 31, 1971

Reid Lithographing Company Limited (with comparative figures for 1970)

	1971	1970
INCOME		
Sales	\$7,049,467	\$7,663,511
Cost of sales	5,546,666	6,106,014
Gross income	1,502,801	1,557,497
Expenses:		
Selling and distribution	487,871	466,087
Management, office and general	287,436	251,627
	775,307	717,714
Operating income	727,494	839,783
Funded debt and other interest charges:		
Bond interest	22,875	24,875
Bond discount and issue expenses written off	2,028	2,206
Bank and other interest	21,764	40,239
	46,667	67,320
Income before taxes thereon	680,827	772,463
Income taxes	344,400	410,300
Net income for year	\$ 336,427	\$ 362,163
Earnings per common share	\$ 1.96	\$ 2.12
RETAINED EARNINGS		
Retained earnings beginning of year	\$1,225,819	\$1,072,564
Organization and share issue expenses written off	—	91,331
	1,225,819	981,233
Net income for year	336,427	362,163
	1,562,246	1,343,396
Dividends paid:		
Preference shares — 6¼%	43,403	44,263
Common shares — 58¢ per share in 1971 (49¢ in 1970)	86,780	73,314
	130,183	117,577
Retained earnings end of year	\$1,432,063	\$1,225,819

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Inventories —

The inventories are valued at the lower of cost and net realizable value and consist of the following:

	1971	1970
Raw materials	\$ 135,855	\$ 306,571
Work in process	597,103	551,445
Finished goods	552,391	617,313
Factory supplies	52,210	50,745
	\$1,337,559	\$1,526,074

(2) Fixed assets —

The major categories of fixed assets are as follows:

	December 31, 1971			Net depreciated value December 31 1970
	Cost	Accumulated depreciation	Net depreciated value	
Land	\$ 59,805		\$ 59,805	\$ 59,805
Buildings	627,042	\$ 227,135	399,907	417,990
Equipment	3,080,863	1,982,902	1,097,961	1,132,981
	\$3,767,710	\$2,210,037	\$1,557,673	\$1,610,776

Consolidated Statement of Source and Application of Funds

for year ended December 31, 1971

Reid Lithographing Company Limited

(with comparative figures for 1970)

		1971	1970
SOURCE OF FUNDS	Operations —		
	Net income for year	\$ 336,427	\$ 362,163
	Add (deduct):		
	Depreciation	183,267	184,768
	Amortization of other assets	5,187	8,206
	Deferred income taxes	(17,000)	(12,000)
	Discount on purchase of preference shares	(2,912)	(3,506)
		504,969	539,631
	Decrease in other assets	—	1,986
		504,969	541,617
APPLICATION OF FUNDS	Acquisition of fixed assets (net)	130,164	257,212
	Payments on funded debt	32,000	32,000
	Dividends to shareholders	130,183	117,577
	Purchase of series A preference shares	12,088	16,494
		304,435	423,283
	Increase in working capital	200,534	118,334
	Working capital at beginning of year	1,433,239	1,314,905
	Working capital at end of year	<u>\$1,633,773</u>	<u>\$1,433,239</u>

Depreciation of \$183,267 (1970 — \$184,768) has been provided on a "straight-line" basis, except for certain vehicles depreciated on the declining balance method, at rates which will amortize the costs of the assets over their estimated useful life.

(3) Funded debt —

The 6¼% first mortgage sinking fund bonds series A of Reid Press Limited require annual sinking fund payments of \$32,000 in 1972 and \$33,000 from 1973 to 1981 inclusive.

(4) Capital stock —

The series A preference shares are redeemable at \$52.50 per share. During 1971, 300 series A preference shares were purchased for cancellation for cash, \$12,088.

(5) Statutory information —

The aggregate direct remuneration paid to the directors and senior officers of the company, as defined by the Business Corporations Act of Ontario, in 1971 amounted to \$61,674.

(6) Commitments —

At the year-end the company's subsidiary was committed to purchase fixed assets in the amount of approximately \$470,000.

Products of Reid Press Limited

FOLDING CARTONS

to contain nationally advertised brands of such consumer products as Breakfast Cereals, Cake Mixes, Cookies, Biscuits, Facial Tissues, Sanitary Napkins, Powdered Milk, Soaps and Detergents, Pet Foods, Chewing Gum and Candy, Cigarettes, etc.

“MARKSMAN” high-speed packaging system for multiple wrapping of bottles or cans for the Beverage and Canned Food Industries.

“TUK-FRAME” is a highly sophisticated display carton for drug, cosmetic and toiletry packaging. It frames the product with shadow-box effect for eye-catching shelf display.

“PACK-EDG” — a carton incorporating a reclosing feature particularly suitable for some items of retail trade.

LABELS

for Canned Fruits, Vegetables, Meat, Milk, Pet Food, Fruit Juices and Beverages. Labels for the Chewing Gum and Confectionary Industry. Labels for the Brewing, Milling, Cosmetics and Tobacco Industries.

MISCELLANEOUS

Paper Coupons, Inserts, Advertising Displays, Road Maps, Catalogues and Cook Books. Wrappers for prepared Meats. Wrappers for Garment Boxes, etc.
